

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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October 31, 2002

Ms. Linda A. Holtzscheiter, Reimbursement Manager
Mariner Post-Acute Network
15415 Katy Freeway, Suite 800
Houston, Texas 77094

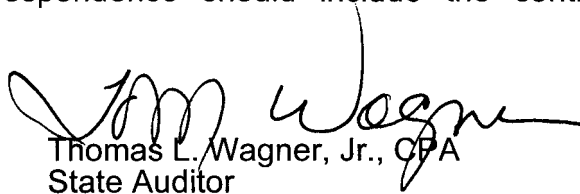
Re: AC# 3-MAE-J9 – Mariner Health Care of Sumter - East

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph P. Hayes

MARINER HEALTH CARE OF SUMTER - EAST

SUMTER, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-MAE-J9**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 14, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Mariner Health Care of Sumter - East, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of Mariner Health Care of Sumter - East is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

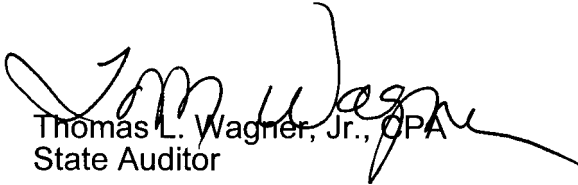
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Mariner Health Care of Sumter - East, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Mariner Health Care of Sumter - East dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
October 14, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

MARINER HEALTH CARE OF SUMTER - EAST

Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-MAE-J9

10/01/00-
09/30/01

Interim Reimbursement Rate (1)	\$85.81
Adjusted Reimbursement Rate	<u>76.84</u>
Decrease in Reimbursement Rate	\$ <u><u>8.97</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

MARINER HEALTH CARE OF SUMTER - EAST
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2000 Through September 30, 2001
AC# 3-MAE-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$35.16	\$54.01	
Dietary		7.53	10.12	
Laundry/Housekeeping/Maintenance		<u>6.54</u>	<u>8.88</u>	
Subtotal	<u>\$5.11</u>	49.23	73.01	\$ 49.23
Administration & Medical Records	<u>\$ -</u>	<u>13.59</u>	<u>10.55</u>	<u>10.55</u>
Subtotal		62.82	<u>\$83.56</u>	59.78
<u>Costs Not Subject to Standards:</u>				
Utilities		2.55		2.55
Special Services		.50		.50
Medical Supplies & Oxygen		1.61		1.61
Taxes and Insurance		1.30		1.30
Legal Fees		<u>.01</u>		<u>.01</u>
TOTAL		<u>\$68.79</u>		65.75
Inflation Factor (3.20%)				2.10
Cost of Capital				6.68
Cost of Capital Limitation				(.49)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.11
Effect of \$1.75 Cap on Cost/Profit Incentives				(3.36)
Nurse Aide Staffing Add-On 10/01/99				.57
Nurse Aide Staffing Add-On 10/01/00				<u>.48</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$76.84</u>

MARINER HEALTH CARE OF SUMTER - EAST
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-MAE-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,430,294	\$ -	\$ 1,056 (4) 209,831 (6) 12,069 (6) 45 (7) 38,692 (11)	\$2,168,601
Dietary	501,768	-	9,500 (5) 27,587 (6) 438 (9)	464,243
Laundry	100,434	-	7,164 (6)	93,270
Housekeeping	223,941	-	18,270 (6)	205,671
Maintenance	109,270	3,058 (8)	6,800 (6) 900 (11)	104,628
Administration & Medical Records	906,763	2,210 (9)	32,840 (6) 5,194 (6) 32,820 (8) 149 (11)	837,970
Utilities	163,903	102 (8)	4,752 (2) 2,286 (9)	156,967
Special Services	30,735	54,384 (11)	5,513 (6) 28,897 (7) 19,974 (10)	30,735
Medical Supplies & Oxygen	220,102	765 (11)	9,413 (4) 105,045 (5) 563 (7) 1,575 (9) 4,874 (10)	99,397
Taxes and Insurance	127,829	6,486 (8)	54,220 (3)	80,095
Legal Fees	5,840	-	5,321 (8)	519

MARINER HEALTH CARE OF SUMTER - EAST
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-MAE-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments	<u>Credit</u>	Adjusted <u>Totals</u>
Cost of Capital	408,255	57,043	(12)	4,777 (1) 48,494 (8)	412,027
Subtotal	5,229,134	124,048		699,059	4,654,123
Ancillary	121,272	-		-	121,272
Non-Allowable	(142,626)	4,777 (1) 4,752 (2) 54,220 (3) 10,469 (4) 114,545 (5) 325,268 (6) 29,505 (7) 76,989 (8) 1,651 (9) 24,848 (10)		15,408 (11) 57,043 (12)	431,947
Total Operating Expenses	<u>\$5,207,780</u>	<u>\$771,072</u>		<u>\$771,510</u>	<u>\$5,207,342</u>
Total Patient Days	<u>61,670</u>	<u>-</u>		<u>-</u>	<u>61,670</u>
Total Beds	<u>176</u>				

MARINER HEALTH CARE OF SUMTER - EAST
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MAE-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 190,848	
	Accumulated Depreciation	45,097	
	Nonallowable	4,777	
	Cost of Capital		\$ 4,777
	Other Equity		235,945
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	4,752	
	Utilities		4,752
	To disallow cable TV expense HIM-15-1, Section 2106.1		
3	Nonallowable	54,220	
	Taxes and Insurance		54,220
	To adjust liability insurance and disallow expense due to lack of documentation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable	10,469	
	Restorative		1,056
	Medical Supplies		9,413
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
5	Nonallowable	114,545	
	Dietary		9,500
	Medical Supplies		105,045
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		

MARINER HEALTH CARE OF SUMTER - EAST
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MAE-J9

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	325,268	
	Nursing		209,831
	Restorative		12,069
	Dietary		27,587
	Laundry		7,164
	Housekeeping		18,270
	Maintenance		6,800
	Administration		32,840
	Medical Records		5,194
	Special Services		5,513
	To adjust fringe benefits and related allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		
7	Nonallowable	29,505	
	Restorative		45
	Medical Supplies		563
	Special Services		28,897
	To adjust expense to cost of related organization		
	HIM-15-1, Section 1000		
8	Maintenance	3,058	
	Utilities	102	
	Taxes and Insurance	6,486	
	Nonallowable	76,989	
	Administration		32,820
	Legal		5,321
	Cost of Capital		48,494
	To adjust home office cost allocation		
	HIM-15-1, Section 2304		
	State Plan, Attachment 4.19D		

MARINER HEALTH CARE OF SUMTER - EAST
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MAE-J9

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
9	Other Income	438	
	Administration	2,210	
	Nonallowable	1,651	
	Dietary		438
	Utilities		2,286
	Medical Supplies		1,575
	To offset income against related expense HIM-15-1, Section 2102.3		
10	Nonallowable	24,848	
	Medical Supplies		4,874
	Special Services		19,974
	To remove excess therapy cost HIM-15-1, Section 1400		
11	Medical Supplies	765	
	Special Services	54,384	
	Nursing		38,692
	Maintenance		900
	Administration		149
	Nonallowable		15,408
	To adjust special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
12	Cost of Capital	57,043	
	Nonallowable		57,043
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$1,007,455</u>	<u>\$1,007,455</u>

Due to the nature of compliance reporting,
adjustment descriptions and references
contained in the preceding Adjustment
Report are provided for general guidance
only and are not intended to be all-
inclusive.

MARINER HEALTH CARE OF SUMTER - EAST
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-MAE-J9

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3156</u>	<u>2.3156</u>	
Deemed Asset Value (Per Bed)	36,165	36,165	
Number of Beds	<u>88</u>	<u>88</u>	
Deemed Asset Value	3,182,520	3,182,520	
Improvements Since 1981	523,648	668,993	
Accumulated Depreciation at 9/30/99	<u>(1,303,639)</u>	<u>(1,131,424)</u>	
Deemed Depreciated Value	2,402,529	2,720,089	
Market Rate of Return	<u>.060</u>	<u>.060</u>	
Total Annual Return	144,152	163,205	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	144,152	163,205	
Depreciation Expense	58,489	65,498	
Amortization Expense	811	810	
Capital Related Income Offsets	(10,469)	(10,469)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	192,983	219,044	\$412,027
Total Patient Days (Minimum 96% Occupancy)	<u>30,835</u>	<u>30,835</u>	<u>61,670</u>
Cost of Capital Per Diem	\$ <u>6.26</u>	\$ <u>7.10</u>	\$ <u>6.68</u>

MARINER HEALTH CARE OF SUMTER - EAST
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-MAE-J9

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.13	\$2.13
Adjustment for Maximum Increase	<u>3.99</u>	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$8.12</u>	<u>\$6.12</u>
Reimbursable Cost of Capital Per Diem		\$6.19
Cost of Capital Per Diem		<u>6.68</u>
Cost of Capital Per Diem Limitation		\$ <u>(.49)</u>

2 copies of this document were published at an estimated printing cost of \$1.41 each, and a total printing cost of \$2.82. The FY 2002-03 Appropriation Act requires that this information on printing costs be added to the document.